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### *Citation for published version (APA):*

Afonso, A., Fontana, M-C., & Papadopoulos, I. (2010). Does Europeanization Weaken the Left? Changing Coalitions and Veto Power in Decision-Making Processes in Switzerland. *Policy and Politics*, 38(4), 565-582.

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# **DOES EUROPEANISATION WEAKEN THE LEFT? EUROPEAN INTEGRATION, VETO POWER AND POLICY COALITION DYNAMICS IN SWITZERLAND**

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## **Abstract**

By combining arguments drawn from Europeanisation research, international political economy and party politics, this paper analyses whether European economic integration affects domestic interest constellations and the power resources of social democratic forces in Switzerland. Whereas political economy arguments would assume that processes of economic internationalisation invariably weaken social democratic forces, we argue that they can also empower them. Europeanisation contributes to a reconfiguration of cleavages and a greater fragmentation of right-wing parties that social democrats can take advantage of by building coalitions and using institutional veto points. Detailed case studies of four decision-making processes in Switzerland show that Europeanisation does not coincide with a weaker position of social democrats. On the contrary, they are stronger in Europeanised issues because they can take advantage of increased conflicts within right-wing political forces, be it within political elites or between elites and their electoral base.

## **Keywords**

Europeanisation, political cleavages, social democracy, trade unions, Switzerland

**Wordcount:** 8114 with references, notes and tables.

## **Introduction**

European integration has been characterised above all by a dynamic of “negative integration” which fosters an ever deeper integration of markets and deregulation whereas measures of “positive integration” that should regulate or balance the negative impacts of market liberalisation, and therefore be part of a social democratic agenda, have developed at a much slower pace at the European level (Scharpf 1999). Since market opening tends to favour the interests of capital over those of labour, processes guided by a logic of market-making should weaken social democratic parties and trade unions. The question then is whether European – predominantly “negative” – integration weakens social democratic forces at the domestic level.

Despite the predominance of negative integration in the EU, the literature on Europeanisation has neglected its impact on domestic interest constellations (see, however, Héritier et al. 2001, Thatcher 2004). This is due in part to the fact that this body of literature has mainly focused on implementation issues, for instance in terms of “fit” or “misfit” between domestic and European policies rather than on power relationships per se (Schmidt 2008: 300). In order to analyse this impact on domestic power configurations, this article draws upon the literature on the

impact of “globalisation” or “economic internationalisation” on domestic politics (Garrett and Lange 1991; Milner and Keohane 1996). Economic internationalisation and European “negative” integration – although differing in their geographic reach and institutional form – can be understood as converging dynamics (Levi-Faur 2004) since they are deemed to lower the costs linked of capital mobility and thus to enhance the “exit” options of owners of this form of capital. This, in turn, increases their bargaining power vis-à-vis governments and other domestic actors, most notably labour. According to this picture, one should observe a weaker position of the domestic political forces advocating an increased regulation of markets (be it parties or trade unions) in Europeanised policy issues.

We argue that this is not necessarily the case. While the literature on Europeanisation neglects its consequences on domestic actor constellations, the literature on globalisation and economic internationalisation downplays the role of domestic institutions and of potential “backlash” mechanisms to denationalisation. This paper argues that a combination of the two approaches allows to analyse changes in the domestic power balance in a more fine-grained way. We argue that the domestic strength of the Left depends both on the reconfiguration of domestic coalitions caused by internationalisation and on the characteristics of the domestic institutional architecture. Drawing upon detailed case studies of policy processes in Switzerland, this paper delineates the mechanisms that underpin the durability, or even the strengthening of the influence of the Left in “Europeanised” policy cases. Following a logic of control cases (Haverland 2006), we compare these cases with more strictly “domestic” cases of policy-making. The findings indicate that the strength of the Left in Switzerland was indeed not weaker in Europeanised cases than in control (“domestic”) cases. In “Europeanised” domains, the new cleavage between modernisation winners and losers divided the Right and allowed social democrats and trade unions to impose or block policies in a way that could not be observed when the “Europeanisation” factor was absent.

In the first section, we outline existing interpretations of the domestic impact of European integration on the power of the Left. In the second section, we propose a model according to which the domestic impact of economic integration is influenced by the cleavage structure and the role of institutions. After presenting the research design, case selection, and methods of data collection, we proceed to a systematic presentation of the empirical policy cases. We conclude with a synthesis of our findings and a few critical remarks.

### **Europeanisation, economic integration and social-democratic power**

During the last decade, an important body of literature on Europeanisation – that is, the analysis of “the impact of European integration on domestic policies, politics and polities” – has emerged (e.g. Cowles, Caporaso, and Risse 2001; Héritier et al. 2001; Featherstone and Radaelli 2003; Börzel and Risse 2006; Graziano and Vink 2007). Despite this widely used encompassing definition, the bulk of that literature studies the impact of European integration on domestic policies. If domestic actors are indeed taken into account, what is emphasised is their role in promoting or

hindering adaptation to EU policies. The literature on Europeanisation argues at a general level that European integration tends to reinforce actors "in phase" with European policies, but in doing so it neglects opposition and resistances to European integration. As a matter of fact, only few studies do analyse in depth to what extent European integration affects domestic power relationships and interest constellations.<sup>i</sup>

In this article, social democratic forces are defined as the political forces (both political parties and organised interests) who advocate "moderating wage earners' exposure to market risks and engineering significant income redistribution towards the less fortunate in society while promoting economic growth"<sup>ii</sup> (Kitschelt 1999: 317). By contrast, right-wing parties are defined as those parties who advocate freer markets, less regulation and a lowering of the tax burden. They are often closely linked to employers' interests and therefore partly represent the interests of capital. Although the left-right positioning of parties surely varies across different national political constellations and has no doubt changed over time (see Kitschelt 1999), we adopt this minimal definition for reasons of clarity.

According to the political economy literature, processes of economic opening are factors of weakening for left-wing political forces, whose social basis heavily relies on interests more tightly anchored in national settings than those of the Right (Garrett and Lange 1991; Scharpf 1999; Berger 2000). Internationalisation and European integration, largely characterised by increasing flows of goods, services and capital should alter domestic power relationships to the advantage of the Right through a change in the opportunity structure for capital. During post-war's "embedded-liberalism" (Ruggie 1999), cross-class compromises could be seen as a rational solution in a context of limited capital mobility and interdependence between domestic actors; capital needed local labour to thrive. However, increased economic openness has changed this configuration by increasing the bargaining power of capital over labour thanks to greater "exit" options. If business can more easily move its assets from one country to another, its bargaining capacity over other domestic actors such as unions and governments increases as well. Policy strategies traditionally advocated by social democratic parties, such as higher taxation or increased social spending, become no longer viable in an environment where capital can flee more easily. As argued by Berger (2000: 51), "globalisation shrinks the state by reinforcing the political resources of those in society who desire limitation of the use of state powers to redress outcomes in the market".

Similar mechanisms can be expected with respect to European integration. The largest part of European integration has thus far been aimed at creating and extending the rules of the Single market. Market integration and deregulation in the domains of labour markets, utilities and others are in principle in contradiction with policies traditionally advocated by social democrats. It may therefore be argued that the strength of the Left in "Europeanised" policy sectors should be weaker than in policy domains where nation-states have been reluctant to delegate powers to the EU, such as social policies. Considering that measures of negative integration are mainly supported by right-wing parties, Europeanisation should mainly benefit them, and policy options advocated by the Left should become less credible. More generally, actors whose preferences are *in line* with

European decisions should be in a better position of influence in “Europeanised” political processes. However, we argue that the political capacity of the Left should be tempered by the impact of domestic veto points and by the role of new political cleavages generated by European integration.

### **Europeanisation, veto power and new political coalitions**

The view according to which economic integration leads to a loss of power of Left forces tends to neglect the role of institutional factors as mediating mechanisms of empowerment. Firstly, political economy approaches predict evolutions by drawing upon a somewhat materialist conception of politics, where class or economic interests directly determine political outcomes. However, political competition does not happen in a vacuum, and institutions strongly structure and determine its outcomes, even when it comes to internationalised issues. Political institutions favour a specific distribution of resources and constraints that may temper or distort “bare” economic power relationships (Hall and Taylor 1996). As argued by Börzel and Risse (2003: 64), they can provide decisive resources for domestic actors who resist adaptation processes. It is therefore important to consider the institutional setting as a “filter” for international influences.

Secondly, European integration does not only affect economic cleavages, but may also create new cleavages in the political sphere. As argued by Kriesi et. al (2004; 2006), processes of de-nationalisation (globalisation, European integration) generate a new structural cleavage between (objective or subjective) *winners* and *losers* of these processes that does not align with the traditional class cleavage. In fact, it may even crosscut with it. In partial contradiction with the argument of the political economy literature, the emergence of social groups that perceive themselves as *losers* – threatened both economically and culturally – of internationalisation and European integration, may create new potentials for political mobilisation either through existing political parties or through the emergence of new political actors (Kriesi and Lachat 2004: 5-9). National-populist or eurosceptic parties appear for instance as beneficiaries of this by resorting to arguments against the “side effects” of globalisation and European integration such as immigration, unemployment or an alleged loss of political sovereignty and identity. Through this process, they can claim to represent the “losers” of globalisation processes (Kriesi and Lachat 2004: 8). Their emergence creates more fragmentation on the right and possibilities for new political alliances. Processes of “de-nationalisation” are the main issue of disagreement between national-populist and liberal right-wing parties. This may prompt the latter to seek compromises with social democrats in Europeanised issues, whereas they do not need to do so in “domestic” issues. Alternatively, if the new cleavage between “winners” and “losers” is not expressed at the level of political elites through new parties, it can also translate in a divide between voters and elites, the latter not being able to represent their preferences anymore. As suggested by Bartolini (2006: 41), “a considerable proportion of the European electorate has preferences on key European issues that are not represented by their respective parties, [...] the positions of those voters who are skeptical or opposed to integration are almost totally ignored, [...] voters and their representatives live in two different worlds”.

In this paper, we maintain that Europeanisation as negative integration does not necessarily coincide with a weaker position of the Left in political processes. As mentioned above, for reasons of clarity and simplicity, we assume here that left-wing parties and trade unions basically share the same policy preferences in favour of stronger state intervention. In non-majoritarian polities where the agreement of more than one party is necessary to make political decisions, an agreement with left-wing parties and trade unions may become decisive to gather majorities in Parliament. In contradiction with the claims of the political economy literature, the domestic strength of the Left and its bargaining power can thus at least be preserved in Europeanised issues, and in addition domestic veto points can be used as weapons for opponents to Europeanisation. Figure 1 summarises the causal mechanisms discussed here.

*Figure 1 about here*

### **Research design and case selection**

In the next section, an analysis of four recent decision-making processes in Switzerland provides insights as to the effect of (negative) European integration on the power of the social democratic Left and the reconfiguration of coalitions. Given the detailed analysis required to investigate decision-making processes, and more precisely the complex mechanisms of empowerment that lie within, we opted for a thorough scrutiny of a limited number of cases. Power is assessed in terms of policy influence, that is, the convergence between actors' preferences and actual policy outputs<sup>iii</sup>. Comparing policy cases allows us to assess the influence of the Left in relative terms with respect to other actors involved in the policy process and with respect to cases for which the international dimension is missing. The case studies rely on the method of process tracing (George and Bennett 2005; Gerring and Thomas 2007), which allows researchers to highlight causal mechanisms in policy-making. Data is collected from a comprehensive body of documents (official reports, documents of interest groups, media) and 14 interviews with actors involved in the decision-making processes, that were taped and transcribed.

Switzerland is an interesting case - or even a "crucial case" - regarding the impact of negative European integration. On the one hand, although it is not member of the EU, it is strongly integrated economically in the European market (even more than some member states), and it adapts to European legislation regarding economic integration via bilateral agreements or so-called "autonomous adaptation" (Fischer, Nicolet, and Sciarini 2002; Mach, Hausermann, and Papadopoulos 2003). The fact that Switzerland is not member of the EU allows on the other hand for some policy sectors to be isolated from EU influence, thereby allowing to control the variable "Europeanisation" to a greater extent than would have been the case in a EU member. For instance, whereas in member states social policies may be influenced by a whole set of European initiatives such as the European employment strategy and the conditions of the EMU, this does not apply to Switzerland. Hence, there is a greater difference between "Europeanised" and

“non-Europeanised” policies than in EU member states. Besides, Switzerland can also be considered a “crucial case” regarding the possible empowerment of social democrats and trade unions through Europeanisation. Traditionally, both have been weak in comparative terms. Employers have been much more influential than trade unions<sup>iv</sup> and right-wing political parties have always enjoyed a majority in Parliament<sup>v</sup>.

Although it remains difficult to isolate the impact of Europeanisation, it is assumed that it will deploy its effects more strongly in policy domains that are subjected to the sphere of competence of the EU than in domains that remain more strictly in the domestic realm. Regarding the specific cases at hand, we first look into two Europeanised cases: one that is part of the bilateral agreements between Switzerland and the EU and one case of “autonomous adaptation” (i.e., horizontal or voluntary Europeanisation). Following Haverland (2006), we also studied two additional cases with no (or weak) domestic influence of the EU, namely cases in the domain of social policy in order to control for the impact of Europeanisation.

All policies under scrutiny were considered important reforms. The two Europeanised cases were concluded by popular referendum that were in each case preceded by an intensive voting campaign; they were salient issues. Similarly, the two non-Europeanised cases dealt with major policy reforms in the context of welfare state retrenchment. Pension policies are probably the most important field of social policy, and affect a majority of the population, which makes them difficult to reform. Revisions of unemployment insurance may seem easier to achieve, as only a minority of the population. However, the recent reform in Switzerland was highly contested, and the Left succeeded in organising a referendum vote on the issue. Table 1 shows the degree of Europeanisation of policy processes as well as the final outcome of the reform. In the next section, we present the four cases and the role of the Left in each of them in greater detail.

**Table 1: Case selection: Europeanisation and variation in the strength of the Left**

<b>Policy case</b>	<b>Degree of Europeanisation</b>	<b>Optional referendum and outcome</b>
Free movement of workers: enlargement (2003)	strong: bilateral agreement	Referendum (populist right) → bill accepted
Electricity market liberalisation (2000/2002)	strong: autonomous adaptation to European directive	Referendum (Left) → bill rejected
3 <sup>rd</sup> Revision of unemployment insurance (2002)	weak	Referendum (Left) → bill accepted

Revision of occupational pension schemes (2003)	weak	No referendum
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## Case Study Analysis

### *Europeanised case 1: EU enlargement and free movement of workers*

In 2000, the Swiss government concluded a bilateral agreement on the free movement of workers with the EU-15 as part of a first package of bilateral agreements (Fischer et al. 2002). On the EU's request, Switzerland agreed to open its labour market for EU workers and abolish its restrictive system based on yearly immigration quotas. As a condition for their support for the bilateral agreements, trade unions asked for "flanking measures" that were supposed to prevent risks of wage dumping given the important wage differentials between Switzerland and surrounding EU countries. Drawing upon its anti-immigration agenda, the national-populist Swiss People's Party (SVP) opposed the agreement from the outset. Given the importance of bilateral agreements for the Swiss economy, the government and employers could not afford the risk of a referendum of the Left, which would join forces with the populist right against the free movement of workers. Consequently, trade unions obtained a package of measures to protect the labour market against wage dumping (Fischer et al. 2002). Despite a referendum launched by the populist right, the bilateral agreement on the free movement of workers entered into force in 2002, and transitory quotas were lifted in June 2004.

EU enlargement imposed a renegotiation of this issue between the EU and Switzerland in order to extend free movement to the accession EU countries. On the domestic front, once again, unions asked for side-payments to guarantee their support to this extension. They considered that little had been provided for the implementation of the flanking measures in the framework of the first bilateral agreements and that the risks of wage dumping had become greater with the extension of free movement to countries whose wage levels were significantly lower than the EU-15 average (Interview FM3 ; Interview FM7). At the outset, the Government wanted to extend free movement to eastern countries without amending the existing regulatory apparatus (Interview FM2). At this point, unions actively used the media to put the issue of wage dumping on the agenda, thereby making their referendum threats credible (Interview FM7). From the outset, it was clear that the eurosceptic SVP would once again launch a referendum against the bilateral agreement. For employers and the government, it was therefore too risky to face the opposition of unions as well, especially given the fears within the population generated by immigration issues. At this point, the Government decided to set up a tripartite (employers, unions, state) working group to envisage the possibility of reinforcing the existing flanking measures following the procedure that had worked for the first flanking measures, despite a will by employers to make as few concessions as possible regarding labour market regulation (Interview FM2 ; Interview FM7). In the end, even though employers had declared themselves absolutely opposed to more stringent flanking measures,



they nevertheless agreed on measures to improve the implementation of labour market control.

The Parliament changed very little to the agreement found with social partners despite the hostility of some segments of right-wing parties. The latter were, however, prompted by employers not to challenge the corporatist compromise. In the end, all parties except the Swiss People's Party and fringe parties of the extreme-Right and Left supported the bill "for the sake of the Swiss economy" in the final vote (even one-third of the SVP supported it as well). At a general level, the parliamentary process was unusually quick due to the agenda imposed by the EU (Interview FM1). After its acceptance in Parliament, the Swiss Democrats, a small extreme-right party, launched a referendum supported by the SVP. The bill was approved on 25 September 2005 with a majority of 56% of citizens. As a whole, this can be considered as a case of successful corporatist policy-making with the Left obtaining significant concessions "in the shadow of the referendum". The split amongst right-wing parties at the level of elites played a decisive role in the bargaining power of left-wing political forces, especially trade unions.

#### *Europeanised case 2: Electricity market liberalisation*

In 1994, while the Ministers in the European Union were still discussing the directive on electricity liberalisation in order to introduce competition in this hitherto state-controlled market (adopted in 1996), the Swiss Government decided to study the feasibility of electricity market liberalisation in Switzerland. Crucial aspects to decide upon were the access of all electricity suppliers to the high-voltage network, which remains a (natural) monopoly, the organisation of this high-voltage network, the pace of the opening process, the handling of investments made in the context of a monopoly (so-called stranded investments), and social and ecological measures such as promoting renewable energies and guaranteeing supply security.

Social democrats and trade unions, who at the outset were not opposed in principle to the idea of electricity market liberalisation, played only a minor role in the pre-parliamentary process. They were not part of the two working groups that discussed the reform and included representatives of the administration, employers, cantons, environmental and consumer associations and the electricity industry (Cattin 1995; Kiener 1997). And in the broad consultation of societal interests (the so-called statutory consultation procedure), the concerns of the Left (supply security, public service, public control and renewable energies) were largely ignored. While the Social democrats – at least the party elite – were nevertheless in favour of liberalisation, trade unions were more sceptical (BfE 1998). Even though they were not opposed to liberalisation itself, they did not agree with the proposed project and asked for a more balanced bill which would take the social, ecological and economic consequences of liberalisation into account (SGB 1998). Eventually, the bill submitted to Parliament corresponded even more to the preferences of business, right-wing parties and the Government than did the one submitted to consultation: faster opening up and less measures regarding renewable energies (Conseil Fédéral 1999). The exclusion of the Left

from the pre-parliamentary process, where the core elements of reforms are usually decided, corresponds to the expectations on the effect of economic integration developed by the political economy literature. However it should also be said that, during this phase, the trade unions only devoted little attention to the project, considering it of minor importance. Opposition was not very vivid (Interview EL1 ; Interview EL2 ; VPOD 2002)

In Parliament, the Left succeeded in introducing a few measures that support renewable energies. Yet other demands of the Left, in particular public ownership of the high-voltage electricity network, were rejected by the majority of right-wing parties. Despite the announcement of a referendum by some Left MPs close to the trade unions, the bill was accepted by a large majority, including a majority of the Social democrats. Soon after the vote in Parliament, however, trade unions launched a referendum against the law, and to the surprise of many, they succeeded in collecting the required number of signatures. During the referendum campaign, the majority within the Social democratic party shifted its views and decided to support the opponents of electricity liberalisation. Although a large coalition was in favour of market liberalisation, it was rejected in the popular vote in 2002. This unexpected result can be explained by an alliance between the majority of the Left that organised the referendum, together with the electorate of the conservative Swiss People's Party and segments belonging to the small trade as well as the electricity sector. Particularly in the latter sector, scepticism against liberalisation became widespread, although the umbrella organisation was in favour of the law (Interview EL1; Interview EL3; Mahnig and Milic 2002).

This case similarly demonstrates that institutional factors such as the referendum obviously are important, but they are not sufficient to explain the success of the Left against liberalisation of the electricity market. This time, the fragmentation within right-wing political forces was not between parties or organisations, but between the party elites and their basis. This provided an opportunity for an "objective" alliance between the Left which organised the referendum and conservative voters who did not follow the pro-liberal position of their organisation or political party. Therefore, we found that the part of the Left opposing liberalisation was able to prevent it by using veto points and by exploiting the convergence of views with the "losers of modernisation."

#### *Control Case 1: Unemployment insurance policy*

Unemployment in Switzerland increased to unseen levels in the beginning in the 1990s, whilst it had been a virtually unknown phenomenon in the past. This contributed to important problems of funding of the unemployment insurance scheme, whose contribution levels were set at very low levels, and the scheme soon faced important debts. In order to cope with this, payroll taxes were raised from 2 to 3% through an exceptional governmental bill passed through an accelerated procedure. The 1995 unemployment insurance revision prolonged the duration of benefits (up to 2 years) to cope with long-term unemployment while at the same time enhancing control mechanisms on the unemployed to ensure they were actively seeking work. A "solidarity contribution" was set up on high wages

to contribute to the long-term financing of the unemployment system. In spite of these measures, the insurance fund remained indebted, and the Federal Government had to invest public funds to ensure the sustainability of the system.

With these provisional, emergency measures coming to an end, the Parliament drafted a motion prompted by right-wing parties in 1998 that commissioned the Federal Government to revise the law on unemployment insurance as part of a larger package designed to reduce state deficits. The mandate was to reduce payroll taxes from 3 to 2% and make the insurance scheme financially sustainable by itself without general tax money. In the meantime, unemployment decreased significantly (from 206'000 unemployed in 1997 to 65'000 at the beginning of 2001). An expert committee comprising members of the federal administration, representatives of the cantons, employers and trade unions as well as academics was set up to advise the State Secretariat for Economics on a revision of unemployment insurance (Interview UI2 ; Interview UI3). Compromises were difficult to find, as the stringent financial mandate of the Parliament made cuts in expenditure necessary to ensure self-financing. Trade unions in particular could not agree on substantial retrenchment regarding allowances.

The Federal Government came up with four major modifications believed to balance the project, although they did not enjoy the explicit support of unions and employers. First, payroll taxes were reduced from 3 to 2% of wages as demanded by right-wing parties and employers. Second, the "solidarity contribution" on high wages was maintained despite the opposition of employers, however with a lower contribution ratio. Third, the period of contribution required to claim unemployment was extended from 6 to 12 months, thereby making entitlement for benefits more restrictive. Finally, and this was considered the most important measure, the maximal duration of benefits was reduced from 520 to 400 days. These were essentially retrenchment measures, although the maintenance of the solidarity contribution on high wages was thought to balance the project at least to some extent (Conseil Fédéral 2001).

Before the parliamentary phase began, both employer associations and trade unions strongly criticised the bill. Unions particularly denounced the reduction of the period during which the unemployed could receive benefits as well as the decrease of the solidarity contribution rate (Gaillard 2001). Employers criticised exactly the opposite – they agreed on the reduction of the length of benefits, but found it still too long, and they did not accept the maintenance of the solidarity contribution, which they perceived to be a sort of supplementary income tax (Hasler 2001).

The right-wing parliamentary majority, and especially the Upper Chamber (Council of States) which is even more dominated by right-wing parties, agreed with employers' demands and opposed the Government on the question of the solidarity contribution. In opposition to the will of the Government, the Council of States lifted it, though with the possibility to reintroduce it in periods of economic downturn; it accepted the shortening of the maximum duration of benefits and the increase in the contribution period (Interview UI4). The National Council (Lower Chamber) was somewhat closer to the position of the Government, but eventually rallied the Council of States on the most important measures, only introducing the

possibility to prolong the period of benefit for cantons whose unemployment level is high (Interview UI1). Given the predominantly right-wing composition of Parliament, the bill was accepted in the National Council with a majority of 114 to 58. The Swiss Federation of Trade Unions launched a referendum against the bill despite some internal opposition to this strategy. Swiss voters eventually accepted the revision by a majority of 56.1% in 2002. In this “domestic” policy case, the Left was not able to count with any sort of support from segments of the “bourgeois” bloc, and remained isolated throughout the whole decision-making process.

### *Control Case 2: Occupational pension policy*

The occupational pension scheme based on compulsory payroll taxes and managed by capitalisation was introduced in the Swiss constitution in 1972 as part of a “three-pillar system” combining public, occupational and private schemes. It was concretised by a law in 1982 establishing mandatory occupational pension schemes for employees whose income exceeds a certain ceiling. The law itself envisaged several further revisions over the following 15 years, and the elaboration of a first revision started immediately after its coming into force in 1985. This was embedded within three contextual developments: changes in the labour market requesting a “recalibration” of the scheme (increases in participation rates by women, in flexible work, and in part-time work employment), the ageing of society, and an unfavourable economic context.

A first reform proposal was elaborated in the standing extra-parliamentary committee on occupational pensions, which comprised representatives of the social partners, the federal administration, the cantons and pension funds. The Left was in favour of an extension of the scheme for employees with low incomes, and despite an increasing Left-Right polarisation in social policy, it was relatively successful. The report presented in 1994 included slightly improved provisions for low-income earners and part-time workers as well as the indexation of allowances to inflation (IDA FiSo 1996: 184; Conseil Fédéral 2000: 2648). Due to a difficult economic situation, however, the Government postponed the revision to the legislative period 1995-1999 (Année politique suisse 1998; Conseil Fédéral 2000: 2647). In 1997, the responsible administrative unit elaborated a new proposal which largely ignored former propositions. When this new proposal was discussed in the standing committee, left-right polarisation had increased, and the preferences of the Left were outvoted by the majority of employers and pension funds representatives (or, if exceptionally accepted, ignored by the Government) (Interview OP1 ; Interview OP2). As a result and by contrast with the initial proposal of the commission, the new proposal focused mainly on financial consolidation and less on recalibration.

Reactions to the proposal were divided into two camps. On the one hand, employers, right-wing parties, pension funds and the cantons were in favour of financial consolidation and against the extension to employees with lower incomes because of the increase in costs it would generate. On the other hand, social democrats, trade unions and women's organisations were sceptical about “consolidation” (perceived as retrenchment) and in favour of the expansion of

coverage to lower incomes and part-time workers, which concerns mainly women (DFI 1999). Finally, the bill submitted to Parliament only contained measures of consolidation and technical improvements, and no expansion was planned (Conseil Fédéral 2000: 2653). It therefore corresponded to the preferences of right-wing parties and employers, and was opposed by the left-wing parties and trade unions, who had been gradually marginalised.

In Parliament, however, the debate about consolidation/retrenchment and “recalibration” was relaunched. In the parliamentary committee on Social Security and Health of the lower Chamber, a compromise was found and largely supported. On the one hand, it contained an expansion to low income and part-time earners, and on the other hand a decrease in the ratio between contributions and allowances (SGK-N 2002). Social democrats succeeded in reintroducing their main request thanks to a coalition with mainly female MPs from the Liberal Party (Hausermann 2006). After some final modifications in the plenary session (less far-reaching inclusion of low income earners), a large majority of MPs voted in favour of the law, and only the conservative Right and a minority of the Liberals continued to oppose it. As a whole, this case of “purely” domestic policy-making yielded more favourable outcomes for the Left than the previous one on unemployment policy. Interestingly, compromise was not achieved through the threat of the referendum, but only through *ad hoc* coalition-building in Parliament. This time, the Left did not coalesce with the “losers of modernisation,” but instead mainly with progressive MPs of right-wing parties.

## Conclusion

Drawing upon a focused comparison of the policy cases outlined above, we claim that the strength of the Left in Switzerland, namely left-wing parties and trade unions, did not prove to be significantly weaker in Europeanised cases than in control cases. The contrary can even be argued; it indeed proved to be most notable in the strongly Europeanised case of free movement of workers, in which trade unions were able to impose labour market regulations that would probably have been impossible to impose in a strictly national context given existing domestic power relationships. By contrast, it proved to be the weakest in the domestic case of unemployment insurance. In this latter case, the lack of balance between retrenchment and expansion measures did not undermine the acceptance of the bill despite the presence of multiple veto points, contradicting the findings of the literature on welfare state reform in Switzerland. As a matter of fact, it is usually argued that because retrenchment measures can be blocked by the Left in referendums, right-wing forces must agree with compromises favouring welfare state “modernisation” (Bonoli 1999).

Hence, we were not able to confirm the causal inferences which suggest a weakening of the Left resulting from Europeanisation. In the two Europeanised cases, the Left proved to be rather strong, albeit in a somewhat different manner (power of initiative vs. blocking power): it was strongly integrated in the decision-making process in the case of free movement and was marginalised but won the referendum in the case of electricity market liberalisation (see table 1). For control

cases, no systematic pattern can be observed, the Left being able to obtain concessions in the case of occupational pensions in a way typical of a consensus democracy but not in the case of unemployment insurance, where we observed a more majoritarian pattern. The following table summarises our results.

***Table 2 about here***

Following the theoretical argument outlined above, one can observe a similar mechanism in both Europeanised cases as to the determinants of the strength of left-wing parties and trade unions in a context of Europeanisation, namely the split between potential losers and winners of internationalisation. In the case of electricity market liberalisation, the Left was able to mobilise an important proportion of potential “losers” of liberalisation processes (employees of small businesses and residents of peripheral regions) in the referendum phase despite a relative marginalisation in the decision-making process. Interestingly enough, these groups are the core constituencies of the Swiss People’s Party, whose elite supported liberalisation. However, the successful use of domestic veto points by the Left took place at the end of the process and was essentially translated into a blocking power. In the case of free movement of workers, we observed an “unholy alliance” between trade unions and the populist right, as both threatened not to support extension. A crucial point here is the division within the bourgeois camp between the liberal right and employers on one side and the populist right on the other side. Trade unions in particular used this divide to obtain side-payments, which would have probably been impossible to obtain from Government and employers outside the context of Europeanisation. Hence, the internal divisions of the Right was a common point of both policy issues which contributed to empower the Left, be it *between elites and the electorate* in the case of electricity market, or *between the populist and the liberal right* in the case of free movement of workers. In both issues, the new cleavage linked to internationalisation was of crucial importance, although it took different forms and manifested itself politically in different arenas – in the pre-parliamentary or corporatist arena in the case of free movement, and in the referendum arena in the case of electricity liberalisation.

In the domestic control cases by contrast, no such opposition could be observed, the lines of conflict following essentially the traditional Left-Right divide. In this kind of configuration, the Left enjoys a much weaker position because of its minority position in Parliament. This was particularly the case for unemployment insurance reform, where the preferences of liberal right-wing parties, employers and the populist right were aligned on retrenchment measures. Therefore, in the Swiss case at least, Europeanisation has not weakened the Left, but rather reinforced it by dividing the right camp along a winner/loser cleavage. In other words, the reconfiguration of cleavages resulting from Europeanisation has increased the policy influence of the Left. This is a counterintuitive result when compared with political economy interpretations. The causal mechanism identified in this article is a joint effect of coalition-building and the use of veto points. Each of them is a necessary condition for the empowerment, and both operating jointly

seem sufficient for it. Such factors are not given due attention by the political economy literature.

Generalisations based on the results presented here are of course subject to a set of limitations. On the one hand, cross-class coalitions can be built in all countries affected by internationalisation or European integration. It may be argued that the new structural cleavage between winners and losers triggered by globalisation and Europeanisation affects all national political systems (see Kriesi et al. 2006). In the absence of the referendum device however – which is the rule in the vast majority of EU-member states –, it may be harder to build coalitions with parts of the Right in the pre-parliamentary or the parliamentary arena (such coalitions are built in the “shadow” of the referendum), since direct democracy provides additional channels for contestation of European integration (as shown by a few recent referendums held in France, the Netherlands and Ireland). Further, Switzerland’s non-membership in the EU makes its margin of manoeuvre greater as to adaptation to EU policies. Strategies of non-adaptation may be possible in Switzerland and not in member states, where EU influence is more constraining. In combination with strong veto points such as the referendum, the strengthening of the Left might thus be more likely in Switzerland (where by the way the Left is traditionally weak) than elsewhere. Notwithstanding these qualifications, this article shows that European economic integration can affect the domestic power balance in a counterintuitive way. Such mechanisms should be given greater consideration in the Europeanisation literature in order to better understand the consequences of European integration for nation-states.

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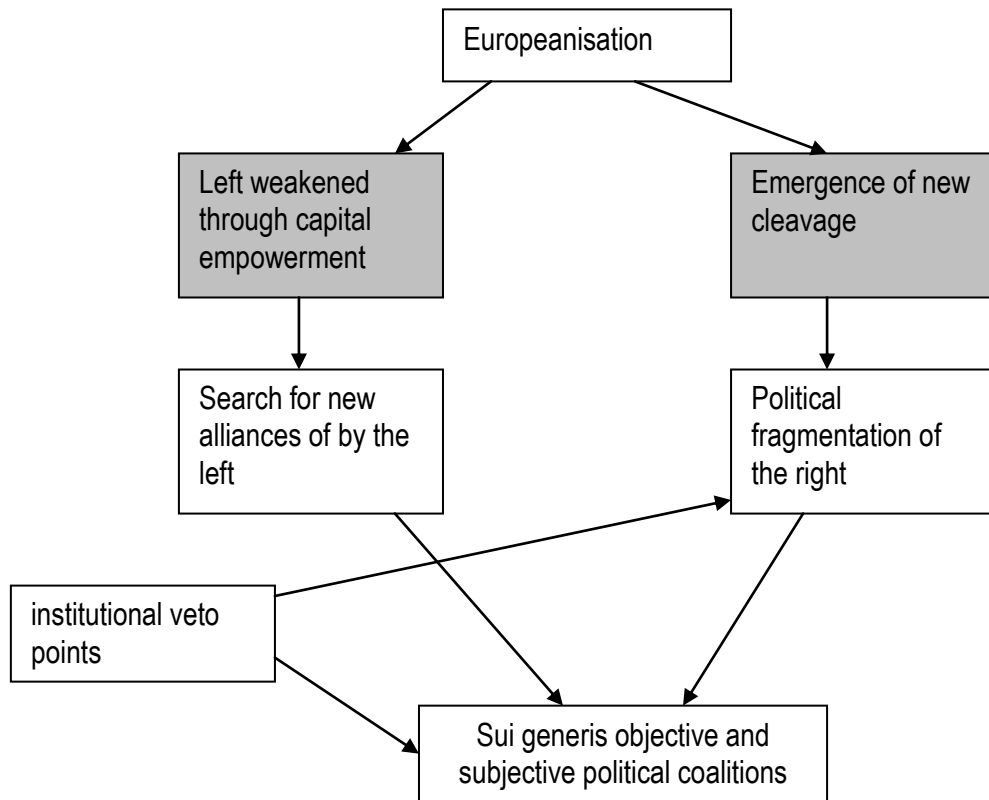


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## **List of Interviews**

1. Interview CH8. Member of Direction, Swiss Employer's Union.
2. Interview EL1. Representative of the trade union of public services (VPOD), proponent of the referendum.
3. Interview EL2. Social democrat MP, proponent of the referendum.
4. Interview EL3. Liberal MP, close to business associations.
5. Interview FM1. MP Council of States, Social Democratic Party.
6. Interview FM2. Former Head of Sector Labour Relations, State Secretariat for Economics.
7. Interview FM3. President of the Swiss Trade Union Federation.
8. Interview FM7. Central Secretary, Swiss Federation of Trade Unions.
9. Interview OP1. Liberal MP, Member of the Commission of Social affairs, president of the sub-commission, National Council.
10. Interview OP2. Representative Trade Unions (SGB), responsible for social policy and social security.
11. Interview UI1. Social Democratic MP.
12. Interview UI2. Former central secretary of the Swiss Trade Union Federation.
13. Interview UI3. Deputy head of project unemployment insurance reform, State Secretariat for Economics.
14. Interview UI4. Social Democratic MP and former vice president of Social Democratic Party.

**Figure 1: Causal Schema**



**Table 2: Summary of Case Study Analysis**

	Pre-parliamentary phase		Parliamentary phase	Referendum phase
	Commissions	Consultation procedure		
<b>Europeanised 1: Free movement of workers: enlargement (2003)</b>	Unions closely involved, compromise reached.	Few modifications.	Slight reinforcement of labour market protection through alliance with small businesses.	Left support for acceptance along with market-liberal Right and employers.
<b>Europeanised II: Electricity market liberalisation (2000/2002)</b>	Left almost completely excluded.	Significant modifications, against preferences of the Left.	Some limited amendments (alliance with mountain cantons).	Left divided, but success of trade unions and part of partisan Left, in alliance with conservative voters.
<b>Control Case I: Revision of unemployment insurance (2000/2002)</b>	Trade unions involved, but no compromise reached with employers.	Government stuck to main measures of project elaborated by the administration.	Right-wing majority imposed retrenchment measures, opposition by the Left.	Referendum launched by trade unions and supported by the Left, but defeated in the vote.
<b>Control case II: Revision of occupational pension schemes (2003)</b>	Left present in specific commission, compromise, but ignored by the Government.	Crucial modification: only measures of 'consolidation' remained, measures of expansion were deleted.	Compromise between the Left and liberal MPs: partial extension to lower incomes.	No referendum (law considered as more or less balanced).

## Notes

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<sup>i</sup> See for instance Schmidt (2006), although she focuses on the impact of integration on state-society or center-periphery relations, and not really on relations between domestic social forces.

<sup>ii</sup> In this article, we use “social democratic forces” and “the Left” interchangeably.

<sup>iii</sup> Therefore, we do not deal with strength in terms of electoral power.

<sup>iv</sup> For instance Switzerland is considered as an exemplar case of « liberal » (as opposed to « social ») corporatism in Katzenstein’s seminal work on small states (Katzenstein 1985).

<sup>v</sup> On the other hand, it may be argued that minorities are given enhanced power with the right to launch a referendum against bills passed in Parliament (50’000 signatures are required), and that this is a powerful countercheck to majority power. However, traditionally this resource has not been of much help for the Left: a study of referendums in which the Social-democratic party opposed legislative bills approved by Right-wing majorities between 1970 and 1987 showed that opposition was successful in only two out of ten popular votes (Papadopoulos 1994: 137).